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Wells Release

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To: James Rufus Okoya-Koren <james.koren@latimes.com>

Please see attached.

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CITY ATTORNEY FEUER ACHIEVES HISTORIC RESULT IN CONSUMER ACTION AGAINST WELLS FARGO; BANK TO MAKE RESTITUTION TO CUSTOMERS, PAY $50 MILLION IN PENALTIES

Unprecedented Coordination Between City Attorney And Federal Regulators To Benefit Consumers Nationwide

Los Angeles—Los Angeles City Attorney Mike Feuer today announced that his office has reached a settlement with Wells Fargo, the nation's third largest bank, of litigation alleging the bank had opened accounts without customers' consent, failed to apprise customers these accounts had been opened, and caused customers to incur unwanted fees and other negative financial consequences. As a result of the settlement, Wells Fargo is required to provide restitution to affected customers and pay $50 million in civil penalties, the largest such payment in the history of the City Attorney's office. The penalties will be devoted to future consumer protection.

Feuer's announcement was accompanied by simultaneous announcements from key federal agencies that they, too, had resolved claims against Wells Fargo arising from the same issues. The Consumer Financial Protection Bureau (CFPB) announced it had issued a sweeping Consent Order to the bank; the Office of the Comptroller of the Currency (OCC) announced it had issued a Consent Order of its own. Both federal agencies require the bank to make broad changes to its sales practices and internal oversight. Both agencies also require Wells Fargo to pay penalties: $100 million to the CFPB, $35 million to the OCC.

"This is a major victory for consumers," said Feuer. "Consumers must be able to trust their banks. They should never be taken advantage of by their banks. We're holding Wells Fargo accountable and assuring the violations we've alleged never happen in the future. This extraordinary resolution sends a strong message—to big banks and consumers alike—that we'll be vigilant in protecting consumer rights."

In May, 2015, following an extensive investigation precipitated by a report in the *Los Angeles Times*, Feuer's office sued Wells Fargo over the allegations of unauthorized accounts. After filing the lawsuit, the City Attorney received more than 1,000 phone calls and emails from customers and current and former Wells Fargo employees across the nation about the issues raised in the litigation.

The settlement between the City Attorney and the bank establishes a complaint and mediation system for California consumers harmed by the bank's alleged practices, and requires Wells Fargo to continue a restitution program for affected customers. Wells Fargo must also alert all of its California customers who have consumer or small business checking or savings accounts, credit cards or unsecured lines of credit, that they should consider visiting their local bank or call Wells Fargo to review their accounts, close accounts or discontinue services they do not recognize or want, and resolve remaining problems. The settlement requires that every six months for the next

two years, Wells Fargo must provide to the City Attorney audit reports assessing the bank's compliance with the agreement, verified under penalty of perjury by an officer or director of the bank.

Feuer coordinated his suit with the CFPB and OCC, who conducted their own investigations. The CFPB's Order sets forth findings and conclusions on the scope of Wells Fargo's alleged actions, including, among many others:

- The bank's employees opened hundreds of thousands of unauthorized deposit accounts and applied for tens of thousands of credit cards for consumers without consumers' knowledge or consent;
- Indeed, more than 1.5 million deposit accounts may not have been authorized;
- The bank's employees engaged in "simulated funding": transferring funds from consumers' existing accounts to temporarily fund unauthorized accounts without consumers' knowledge or consent;
- Thousands of Wells Fargo employees engaged in improper sales practices to satisfy sales goals and earn financial rewards under the bank's incentive-compensation program;
- In connection with this conduct, approximately 5,300 employees have been terminated; and
- The bank's employees opened more than 565,000 applications for credit card accounts that may not have been authorized by using consumer information without their knowledge or consent.

"Wells Fargo employees secretly opened unauthorized accounts to hit sales targets and receive bonuses," said CFPB Director Richard Cordray. "Because of the severity of these violations, Wells Fargo is paying the largest penalty the CFPB has ever imposed. Today's action should serve notice to the entire industry that financial incentive programs, if not monitored carefully, carry serious risks that can have serious legal consequences."

"Banks need to have effective risk management practices in place that prevent unsound cross selling incentives and abuses," said Comptroller of the Currency Thomas J. Curry "Today's actions by the OCC, the CFPB, and the Los Angeles City Attorney demonstrate that such practices will not be tolerated and banks will be held responsible."

City Attorney Feuer and federal regulators worked to establish complementary remedies for Wells Fargo's alleged actions, and the City Attorney's settlement specifically alludes to the requirements in the CFPB Consent Order that the bank submit to the CFPB a detailed compliance and risk management plan designed to deter, detect and remedy improper sales practices nationwide. That plan must include employee training, monitoring to detect sales integrity issues, policies and procedures to ensure consumer consent before any account is opened, and performance-management and sales goals geared to avoid incentives for improper sales practices.

Feuer made a point of emphasizing these coordinated efforts, noting the possibilities for similar collaboration in the future. "We look forward to continuing to work with the CFPB to protect consumers, and the OCC to assure the integrity of the financial institutions on which consumers rely."

Along with City Attorney Feuer, Chief Deputy Jim Clark, Chief of Staff Leela Kapur, Chief Assistant City Attorney Thomas Peters, Assistant City Attorneys Tina Hess and Michael Bostrom, and Deputy City Attorneys Suzanne Spillane, Steven Son, Jessica Brown and Jeremy Berzon handled the litigation and settlement.

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